

Message Text

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INFO OCT-01 ISO-00 AF-08 ARA-06 EA-07 EUR-12 NEA-10 SP-02

USIA-06 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 INT-05 GSA-01 OIC-02

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R 191240Z OCT 76

FM AMEMBASSY LONDON

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INFO AMEMBASSY LA PAZ

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E.O. 11652: N/A

TAGS: ETRC, ITC

SUBJECT: TIN -- ITC SECOND SESSION

1. SUMMARY: SECOND SESSION OF THE INTERNATIONAL TIN COUNCIL (ITC) OF THE FIFTH INTERNATIONAL TIN AGREEMENT MET IN LONDON OCTOBER 12 - 15. PRINCIPAL ISSUES WERE (A) REQUEST BY BOLIVIA (SUPPORTED BY PRODUCER GROUP) FOR INCREASES IN FLOOR AND CEILING PRICES, (B) AGREEMENT ON COMMITTEE CHAIRMANSHIPS, AND (C) REVIEW OF DISCRETIONARY AUTHORITY GIVEN THE BUFFER STOCK MANAGER (BSM)

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AT THE LAST SESSION TO BUY AND SELL METAL WHEN PRICE IS

ABOVE CEILING. OUTCOME OF MEETING WAS A "PACKAGE DEAL" UNDER WHICH NO CHANGE WAS MADE IN THE PRICE RANGE, BUT SESSION WILL RECONVENE DECEMBER 6 FOR FURTHER REVIEW ON BASIS NEW DATA TO BE FURNISHED BY PRODUCERS. COMMITTEE ON COSTS AND PRICES (CAP) WILL CONVENE PRIOR TO ITC, ON NOVEMBER 22, TO STUDY DATA. NO COMMITMENT WAS MADE TO REVISE PRICE RANGE, ONLY TO REVIEW. OTHER PART OF PACKAGE WAS ARRANGEMENT ON COMMITTEE CHAIRMANSHIPS BY WHICH JOHNSON (U.K.) WILL HEAD ADMINISTRATIVE COMMITTEE AT START AND STATISTICS COMMITTEE WILL GO TO A PRODUCER. THESE MAY LATER BE ROTATED (AFTER 2 1/2 YEARS). U.S. WILL HEAD CAP. AUTHORITY OF BSM WAS CLARIFIED TO MAKE IT EXPLICIT THAT BSM'S PRIMARY OBJECTIVE WILL BE TO DO WHAT HE CAN TO BRING PRICE DOWN BELOW CEILING ONCE CEILING BROKEN. FROM U.S. STANDPOINT, MAJOR ACCOMPLISHMENT IS THAT COUNCIL SEEMS TO HAVE MADE START TOWARD MAKING ECONOMIC DECISIONS (E.G., ON PRICE RANGES) ON RATIONAL CONSIDERATION OF DATA RATHER THAN ON POLITICAL CONFRONTATION. U.S., U.K., AND JAPAN WERE LEADERS IN KEEPING CONSUMERS AT LEAST AS COHESIVE AS PRODUCERS. END SUMMARY.

2. SUPPLY-DEMAND SITUATION: STATISTICAL COMMITTEE REPORT NOTED THAT PRIMARY TIN PRODUCTION IN 1976 IS ESTIMATED AT 185,000 TONS OF TIN METAL, WHILE CONSUMPTION IS ESTIMATED AT 199,700 TONS, LEAVING A STATISTICAL DEFICIT FOR 1976 OF 14,700 TONS OF TIN METAL. CONSUMERS POINTED OUT THAT THE 19,000 TONS SOLD BY THE BSM AND THE 3,000 TONS SOLD BY GSA IN 1976 MORE THAN MADE UP THE DEFICIT, BUT PRODUCERS ARGUED THAT A REAL SHORTAGE EXISTS IN THE MARKET AND THAT PRICES CAN BE EXPECTED TO CONTINUE TO RISE FOR THE FORSEEABLE FUTURE. PRODUCERS OBVIOUSLY WERE SETTING THE SCENE FOR A PRICE INCREASE REQUEST.

3. BUFFER STOCK MANAGER: IN PLENARY THE BSM DESCRIBED IN GENERAL TERMS THE PRESENT STATE OF THE BUFFER STOCK AND IN RESPONSE TO A QUESTION POSED BY THE USDEL, MADE A VAGUE STATEMENT THAT HE HAD USED HIS DISCRETIONARY AUTHORITY TO MODERATE PRICE INCREASES. LIMITED OFFICIAL USE

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WHILE NECESSARILY VAGUE DUE TO THE SECRET NATURE OF HIS OPERATIONS, HE SPECIFICALLY STATED IN PLENARY AND IN SUBSEQUENT PRIVATE DISCUSSIONS THAT HE HAS USED HIS DISCRETIONARY AUTHORITY TO ATTEMPT TO BRING MARKET PRICE WITHIN CEILING BY CROSS-TRADING TIN BETWEEN PENANG AND THE LME AND BY "LENDING" TIN IN ANTICIPATION OF EUROPEAN DELIVERIES. IN CONSUMER CAUCUS, USDEL AIRED PROPOSITION FOR AMENDING THE DISCRETIONARY AUTH-

ORITY GRANTED THE BSM AT THE FIRST ITC SESSION TO LIMIT
HIS AUTHORITY SO THAT HE NOT BE ALLOWED TO BUY TIN WHEN
THE PRICE IS ABOVE THE CEILING (I.E., TO LEAVE HIM ONLY
WITH AUTHORITY TO SUSPEND SALES RATHER THAN EXHAUST HIS
SUPPLIES AS OTHERWISE REQUIRED IN THE AGREEMENT).
THERE WAS LITTLE SUPPORT FOR THIS FROM OTHER CONSUMERS,
MANY OF WHOM FELT THE AUTHORITY WAS IN THE CONSUMER
INTEREST AND THAT A FULL-SCALE DEBATE IN PLENARY COULD
BE USED TO PRODUCER ADVANTAGE IN THE MORE IMPORTANT
DEBATE ON PRICES. USDEL NEVERTHELESS FOLLOWED UP
MATTER IN INTENSIVE DISCUSSIONS WITH LAI, ALLEN AND THE
BSM TO EMPHASISE OUR VIEW THAT AUTHORITY SHOULD ONLY BE
USED TO BRING PRICES BELOW CEILING ONCE CEILING BROKEN.

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R 191240Z OCT 76

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4. PRICES: PRODUCERS, LED BY BOLIVIA'S CARLOS ITURRALDE, WERE QUICK TO OPEN WEDNESDAY SESSION BY PROPOSING AN INCREASE IN THE FLOOR PRICE TO M\$1150 AND THE CEILING AT M\$1430 WITH INTERMEDIATE RANGES PROPOSED FOR M\$1250 AND M\$1330. OTHER THAN ALLUDING TO PROSPECTIVE PRICE INCREASES BROUGHT ABOUT BY THE ALLEGED STATISTICAL DEFICIT OF 14,700 TONS OF TIN METAL, PRODUCERS GAVE NO JUSTIFICATION FOR THE CEILING PRICE;
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THEIR JUSTIFICATION FOR A FLOOR PRICE INCREASE WAS BOLIVIA'S CLAIM THAT PRODUCTION COSTS HAVE INCREASED SINCE 1975 AND THAT THE EXISTING FLOOR LEVEL IS INSUFFICIENT TO ENCOURAGE NEW INVESTMENT.

5. CONSUMERS, LED BY U.S., JAPAN, U.K. AND FRG, IMMEDIATELY OPPOSED PRICE INCREASES ON THE BASIS THAT A) THERE HAD ALREADY BEEN TWO FLOOR AND ONE CEILING PRICE INCREASE IN 1976; B) INSUFFICIENT TIME HAD PASSED SINCE EXPIRATION OF EXPORT CONTROLS TO BE ABLE TO GAUGE MARKET PRICE TRENDS; AND C) PRODUCERS HAD PROVIDED NO QUANTITATIVE ECONOMIC JUSTIFICATION FOR THEIR REQUESTS. AFTER EXTENSIVE DEBATE, EXECUTIVE CHAIRMAN LAI ADJOURNED PLENARY SO THAT EACH SIDE COULD CAUCUS ON PRICE ISSUE. HOWEVER, POSITIONS REMAINED FROZEN.

6. SUBSEQUENTLY, IN A FINAL ATTEMPT TO RESOLVE PRICE ISSUE, LAI CONVENED A SPECIAL WORKING GROUP CONSISTING OF THE VICE-CHAIRMEN AND REPRESENTATIVES FROM U.S., U.K. JAPAN, BOLIVIA, MALAYSIA, AND AUSTRALIA. LAST-GASP PROPOSAL MADE BY PRODUCERS WAS THAT THEY WOULD WITHDRAW THEIR IMMEDIATE PRICE INCREASE REQUEST IF CAP WOULD MEET IN NOVEMBER TO REVIEW NEW COST DATA TO BE SUBMITTED BY PRODUCERS AND IF COUNCIL WOULD RE-CONVENE DECEMBER 6 TO REVIEW PRICES. CONSUMERS RELUCTANTLY AGREED, BUT STIPULATED THAT A) PRODUCERS MUST SUBMIT ACCEPTABLE DATA; B) THAT REVIEW WOULD INCLUDE FACTORS OTHER THAN CAP DATA (PRODUCTION, DEMAND, MARKET PRICES, WORLD ECONOMIC SITUATION, ETC.), AND WHILE PREPARED TO REVIEW PRICES THERE WAS NO COMMITMENT TO REVISE PRICE RANGES. FINALLY, PRODUCERS MADE TECHNICAL POINT THAT THEY WOULD LIKE DECEMBER MEETING TO BE CONSIDERED AS CONTINUATION

OF OCTOBER MEETING SO THAT BOLIVIAN DELEGATE WOULD NOT GO HOME ENTIRELY EMPTY HANDED. CONSUMERS AGREED TO THIS ON BASIS THAT PRODUCERS WOULD GIVE UP ADMIN COMMITTEE TO CONSUMERS. LAI WAS AGREEABLE TO THIS ARRANGEMENT IF BY MEETING IN DECEMBER, JANUARY MEETING COULD BE CANCELLED AND THE NEXT REGULAR MEETING HELD IN MARCH. PACKAGE WAS APPROVED BY PLENARY ON MORNING OCTOBER 15.

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7. COMMITTEE CHAIRMANSHIPS: AGREED UPON ARRANGEMENT FOR CHAIRMANSHIPS WAS: U.S. WILL GET CAP, U.K. ADMIN, AND THE PRODUCERS WILL HAVE THE COMMITTEES ON STATISTICS, BUFFER FINANCE AND DEVELOPMENT. DENMARK WILL CONTINUE AS CREDENTIALS CHAIRMAN. ADMIN AND STATISTICS MAY ROTATE AFTER 2 1/2 YEARS, BUT THIS IS NOT DEFINITE. SUPPORT FOR U.S. AS CAP CHAIRMAN WAS UNIVERSAL.

8. OTHER MATTERS: AMONG LESS CONTENTIOUS ITEMS COVERED WERE AGREEMENT BY THE SECRETARIAT TO USE THE GENERIC CHARACTERIZATION, "NON-COMMERCIAL STOCKPILE DISPOSALS" IN LIEU OF "GSA DISPOSALS" IN FUTURE AGENDA AND ACCEPTANCE BY THE COUNCIL OF AN INVITATION BY THE FRG TO MEET IN HAMBURG IN OCTOBER 1977.

9. USDEL DISCUSSED IBRD POSITION ON BUFFER STOCK FINANCING BRIEFLY WITH LAI, WHO DECIDED NOT BRING MATTER UP IN PLENARY. BOLIVIAN DEL DISCUSSED QUESTION OF MANDATORY CONTRIBUTIONS BY CONSUMERS TO BUFFER STOCK WITH USDEL, DECIDING NOT TO BRING UP IN PLENARY, NOR DID BOLIVIA RAISE VOTING ISSUE AS SOME HAD EXPECTED.

10. ATMOSPHERICS: A) SYG -- CHAIRMAN LAI PLAYED AN IMPARTIAL AND EFFECTIVE ROLE DURING THE ENTIRE PROCEEDINGS, PARTICULARLY ON THE ISSUE OF PRICES. WHILE HE WAS NOTICABLY UPSET ABOUT BOLIVIA'S INTRANSIGENCE ON PRICE AND ITS UNWILLINGNESS TO PROVIDE ECONOMIC JUSTIFICATION FOR ITS REQUESTS, HE WAS CONCERNED THAT BOLIVIA MIGHT WALK-OUT OF SESSION AND NOT RATIFY AGREEMENT. ACCORDINGLY, LAI WENT TO GREAT LENGTHS TO FORCE AN ACCOMODATION THAT WOULD ALLOW BOLIVIA TO SAVE FACE WHILE ACCEDING TO CONSUMER INSISTANCE ON NO PRICE INCREASES AT THIS TIME. THROUGHOUT MEETING, LAI, ALLEN AND DEKOENIG WERE MOST HELPFUL TO USDEL, IN SEEKING OUT OUR

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R 191240Z OCT 76

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PRIVATE VIEWS AND GRANTING US THE OPPORTUNITY TO OUT-
LINE OUR POSITIONS IN CAUCUS AND PLENARY; B) PRODUCER
VIEWS-- WHILE THE PRICE INCREASE REQUEST WAS MADE BY
PRODUCER VICE-CHAIRMAN AGIDI REPRESENTING ALL PRODUCERS,
IT BECAME CLEAR EARLY ON THAT BOLIVIA WAS ALONE IN
DOGMATICALLY DEMANDING INCREASE. WHILE MALAYSIA AND
INDONESIA SUPPORTED THE BOLIVIAN REQUEST, IT WAS WITH
NOTICABLE LACK OF FORCE AND IT WAS APPARENT TOWARD THE
END OF THE SMALL GROUP DISCUSSIONS THAT MALAYSIA AND
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AUSTRALIA WERE BECOMING IMPATIENT WITH BOLIVIAN DEMANDS (WHICH EFFECTIVELY DENIED MALAYSIA'S FATAH OF ANY BARGAINING POSITION ON THE ADMIN COMMITTEE QUESTION). FATAH SUBSEQUENTLY EXPRESSED CONSIDERABLE ANNOYANCE TO THE USDEL ABOUT BOLIVIA, SUGGESTING MALAYSIA WOULD BE LESS THEN WILLING TO FIGHT BOLIVIA'S BATTLES IN FUTURE. C) CONSUMER POSITIONS -- THE GERMANS, JAPANESE AND U.K. WERE ALL INITIALLY OPPOSED TO ANY CHANGE IN THE BUFFER STOCK PRICE RANGE. THE JAPANESE OPPOSED ON THE GROUNDS THAT THERE WAS INSUFFICIENT DATA TO MAKE ANY DETERMINATION AND THAT IT WAS TOO SOON AFTER EXPIRATION OF EXPORT CONTROLS. THE GERMANS STATED THAT THEIR INSTRUCTIONS WERE TO OPPOSE ANY INCREASE IN THE PRICE RANGE, BUT THEY RECEIVED NEW INSTRUCTIONS ON THURSDAY MORNING WHICH ALLOWED THEM TO ACCEPT AN INCREASE IN THE CEILING ONLY, UP TO M\$1300 PER PIKUL. THE U.K. HAD AUTHORITY TO AGREE TO INCREASING THE CEILING (NOT FLOOR) FROM THE START, BUT HELD FIRM WITH THE U.S. IN OPPOSITION TO INCREASE IN EITHER THE CEILING OR THE FLOOR.

11. FRANCE (LEGOUX) WAS WILLING TO ACCEPT AN INCREASE OF THE FLOOR AND CEILING PRICES TO M\$1030 AND M\$1320 RESPECTIVELY AND JUSTIFIED SUCH AN INCREASE ON THE GROUNDS OF LONG TERM PRICE TRENDS. LEGOUX, WHO CHAIRS THE CONSUMER GROUP, CLEARLY FAVORED AN INCREASE IN THE PRICE RANGE AND PROPOSED TO THE CONSUMERS THAT AS A COMPROMISE THEY MIGHT CONSIDER AN INCREASE IN THE CEILING ONLY. THIS TOO WAS REJECTED BY THE CONSUMERS. ONCE CONVINCED THAT THE U.K., U.S., AND JAPANESE WERE NOT OPEN TO COMPROMISE, LEGOUX REPRESENTED THE CONSUMERS VERY EFFECTIVELY IN DISCUSSIONS WITH PRODUCERS.

12. OTHER CONSUMERS WERE LARGELY SILENT BUT USSR AND HUNGARY OPENLY OPPOSED A PRICE INCREASE. THE NETHERLANDS WAS PREDICTABLY CONCILIATORY TO PRODUCER DEMANDS. BELGIUM WAS SURPRISINGLY STRONG IN ITS OPPOSITION TO A PRICE INCREASE.

13. D) U.S. INDUSTRIAL ADVISERS -- AS IN PAST INDUSTRIAL ADVISORS WERE OF CONSIDERABLE ASSISTANCE TO LIMITED OFFICIAL USE

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USREPS, PROVIDING BOTH QUANTATIVE DATA AND POLICY RECOMMENDATIONS THROUGHOUT MEETING. INDUSTRY ADVISORS SEEMED PARTICULARLY PLEASED WITH OUTCOME OF THE SESSION, ALTHOUGH SEVERAL CAUTIONED THAT WE SHOULD BE PREPARED TO RAISE THE CEILING PRICE IN DECEMBER.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TIN, INTERNATIONAL ORGANIZATIONS, MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON16721
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760391-1248
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761038/aaaabglf.tel
Line Count: 387
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 8
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 07 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 APR 2004 by ElyME>; APPROVED <10 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TIN -- ITC SECOND SESSION
TAGS: ETRD, ITC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006